

AR44

File 98

389

Cultus Explorations Ltd.

2nd ANNUAL REPORT

for the year ending August 31st, 1965



Cultus Explorations Ltd.

EDMONTON, ALBERTA

Board of Directors

J. F. Sullivan—Edmonton, Alberta
C. D. Stewart—Edmonton, Alberta
R. I. Smith, B.Comm., C.A.—Edmonton, Alberta

Officers

J. F. Sullivan—President
C. D. Stewart—Vice-President
R. I. Smith, B.Comm., C.A.—Secretary-Treasurer

Transfer Agents and Registrar

Guaranty Trust Company of Canada
624 Howe Street,
VANCOUVER 1, B.C.

Guaranty Trust Company of Canada
Jasper Avenue and 100th Street,
EDMONTON, Alberta.

Auditors

Gardner, Patterson, Beattie & Co.
1118 Melville Street,
VANCOUVER, B.C.

Solicitors

Milner, Steer, Dyde, Massie, Layton,
Cregan & Macdonnell
9th Floor, Milner Building,
10040 - 104th Street,
EDMONTON, Alberta.

Goldman & Kemp
907 Vancouver Block,
VANCOUVER 1, B.C.

Consulting Engineer

Franklin L. C. Price,
318 Burrard Building,
VANCOUVER, B.C.

Head Office

570 One Thornton Court,
EDMONTON, Alberta.



SECOND ANNUAL REPORT OF THE DIRECTORS

The period covered by this, our second annual report to shareholders, has been an extremely important one for the company. In August, 1964, we signed an agreement with Pacific Island Mines Limited of Australia covering the exploration and development of a mineralized area of Misima Island, off the north-east coast of Australia.

All known information from our exploration program and from the work of previous operators on this property indicates that a mine does exist. This confirmation of our findings was reported to shareholders September 7th—and at that time our consulting engineer, Franklin Price, presented a plan to put the property into production.

Since that date, metallurgical studies have been made which suggest that alternate development plans should be considered before committing ourselves to this particular method of production. In the months before us, this is what we must determine: the full extent, nature and grade of the ore in the Umuna lode, both in the oxidized zone, and below, where we believe we will encounter valuable deposits of base metals. We can then determine specifications for mill design and location, adit location and rate of production.

This fall a mining and milling engineer, Bertrand Robinson, P.Eng., from Toronto visited the Island to conduct independent studies of our property and our development plans. The report on these studies, recently received by your directors, provides further valuable information on which to base future decisions referred to in the preceding paragraph.

The most recent developments have been the assembling of tunnelling equipment in Vancouver, receipt of metallurgical reports from Denver and the University of British Columbia which give further encouragement that extensive base metal deposits exist at depth in the Umuna lode and the resumption of diamond drilling towards the north end of the Umuna lode.

While we have suspended development work on our Slocan City mine during the past summer to conserve our resources for the Misima project, we have maintained our interest in B.C. properties by staking 144 claims in the Dease Lake and Stikine River areas, and carried on some exploration work this summer by surface samplings and trenching. While there has been considerable interest shown in this area by other mining companies, it is too early to say what value the property may have.

I wish to express the thanks of all directors to those who have assisted our company during the past year to bring its undertakings to their present stage of development. The Department of Mines of the Territorial Government of Papua has been most co-operative—and has shown confidence in our Misima Island project by investing substantial money in technical assistance, roads and airfield facilities. We thank also the directors and engineers of Pacific Island Mines Limited, our resident engineer, Jack Brodie, and our consulting engineer, Franklin Price, for their efforts on behalf of the company.

At the time of writing this report plans for future financing are underway and we are encouraged to believe that the year ahead will see development and production plans for the Misima Island project virtually completed.

By order of the Board of Directors,

J. F. Sullivan,
President



Cultus Expl

BALANCE

AS AT AUG

ASSETS

Current:

Cash on hand and in banks	1,237.37	
Term deposit receipt	100,000.00	
Accounts receivable	42,768.07	
Prepaid expenses	567.51	144,572.95

Investments:

Shares at cost (market value \$24,000.00)	15,000.00	
Wholly owned subsidiary	1,500.00	16,500.00

Mining properties at value placed on 266,250
shares of the capital stock of the Company
plus \$34,252.03 for additional claims—
Note 1

60,877.03

Deferred development and other expenditures—Note 2:

Canada and Australia—Schedule 1	255,445.00	
Misima Island—Schedule 2	203,933.66	459,378.66

Mine plant and equipment—at cost		64,249.97
Office equipment—at cost		2,573.73
Preliminary expenses		4,428.45

\$752,580.79

Approved on behalf of the Board:

C. D. Stewart, Director

R. I. Smith, Director

The attached notes form an integral part of the financial statements.

This is the Balance Sheet referred to in our report dated December 6th, 1965.

(Signed) GARDNER, PATTERSON, BEATTIE & CO.
Chartered Accountants.

LIABILITIES AND SHAREHOLDERS' EQUITY

Current:

Accounts payable and accrued charges	28,986.54
--	-----------

Shareholders' equity:

Share Capital:

Authorized:

3,000,000 shares without nominal or par value
to be issued for a maximum consideration
of \$3,000,000.00—Note 3.

Issued and fully paid:

For cash to August 31st, 1964:

600,003 shares	330,003.00
----------------------	------------

For cash during year ended August 31st, 1965,

450,473 shares	413,091.25
----------------------	------------

For properties and equipment:

300,000 shares of which 100,000 shares are
subject to an escrow agreement

30,000.00

773,094.25

Deduct: Commission on sale of shares	49,500.00	723,594.25
--	-----------	------------

<u>\$752,580.79</u>

AUDITORS' REPORT

To the Shareholders,
Cultus Explorations Ltd.,
Edmonton, Alberta.

We have examined the Balance Sheet of Cultus Explorations Ltd. as at August 31, 1965 and the schedules of deferred development and other expenditures for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying Balance Sheet and schedules of deferred development and other expenditures when read in conjunction with the notes appended thereto present fairly the financial position of the Company as at August 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles.

Edmonton, Alberta,
December 6, 1965.

(Signed) GARDNER, PATTERSON, BEATTIE & CO.
Chartered Accountants.



Cultus Explorations Ltd.

SCHEDULE 1

Schedule of Deferred Development and other Expenditures Canada and Australia as at August 31st, 1965

Balance as at August 31st, 1964			\$167,995.37
Transactions during the year—September 1st, 1964 to August 31st, 1965:			
Exploration and Development Expenditures:			
Assaying and sampling	\$ 57.30		
Engineering and survey	2,124.07		
Equipment rental	1,562.32		
Equipment repairs and fuel	4,007.45		
Foreign projects—prospecting	3,600.00		
Milling expenses	2,595.00		
Provisions and supplies	2,033.68		
Unemployment insurance	143.94		
Wages and salaries	29,137.70		
Workmen's compensation	1,893.27	\$ 47,154.73	
General Expenses:			
Advertising and promotion	3,456.55		
Audit and accounting	1,696.00		
Bank charges and interest	1,024.21		
Insurance	1,119.81		
Legal fees	954.05		
Licences, memberships and taxes	868.84		
Office and management salaries	25,858.64		
Office supplies and expense	4,998.31		
Stock issue and transfer expense	1,860.42		
Telephone and telegraph	3,272.19		
Travel	5,862.23	50,971.25	
			98,125.98
Deduct:			
Revenue from metals produced	1,696.22		
Investment income	4,818.27		
Equipment rental	4,161.86	10,676.35	87,449.63
Balance as at August 31st, 1965			<u>\$255,445.00</u>

Schedule of Deferred Development Expenditures Misima Island Operations (Note 4) as at August 31st, 1965

SCHEDULE 2

Balance as at August 31st, 1964			\$ 10,368.78
Transactions during the year September 1st, 1964 to August 31st, 1965:			
Assays and sampling	693.68		
Equipment rental	4,104.00		
Fees, stationery and telephone	24,245.33		
Insurance	781.71		
Provisions, supplies, equipment and sundry	113,595.40		
Travel	17,851.59		
Wages	32,293.17	193,564.88	
Balance as at August 31st, 1965			<u>\$203,933.66</u>



Cultus Explorations Ltd.

NOTES TO FINANCIAL STATEMENTS

August 31st, 1965

Note 1: The Company's mining properties consist of three deeded mineral claims, two mineral leases and one hundred fifty-two staked claims.

Note 2: As the properties have not reached a level of commercial production at the time of these statements, mining properties, deferred development and other expenditures and mine plant and equipment are shown at their full cost to date with no provision for amortization.

Note 3: The Company has granted an option to its two drillers to purchase 5,000 shares each of Capital Stock of the Company at \$1.00 per share at any time prior to March 23, 1967.

Note 4: By agreement dated August 7, 1964 between Pacific Island Mines Limited, Oceanic Minerals Pty. Limited and the Company, the Company has obtained an option to acquire 60 (sixty) per cent of the outstanding shares of Oceanic Minerals Development Pty. Limited.

The terms of the option require the Company to expend twenty-five thousand dollars (\$25,000.00) exclusive of overhead expenses on an exploration program on properties held by Oceanic Minerals Development Pty. Limited on the Island of Misima, Territory of Papua (governed by the Commonwealth of Australia) commencing before September 1, 1964 and terminating prior to August 31, 1965. The Company may extend the options for five twelve-month intervals by expenditures on exploration and development of the above properties of the following sums over the five years respectively: \$100,000.00; \$150,000.00; \$200,000.00; \$250,000.00; \$275,000.00.

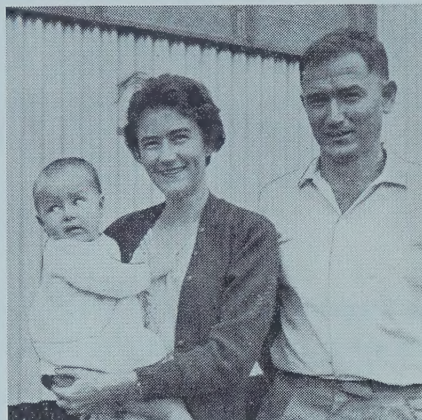
The option also provides that the Company may at any time after the expenditure of \$25,000.00, exercise the option to obtain the 60 per cent of the outstanding shares of Oceanic Minerals Development Pty. Limited by depositing with Oceanic Minerals Development Pty. Limited the balance of funds between funds expended on exploration of said properties and one million dollars (\$1,000,000.00).



PICTURE HIGHLIGHTS



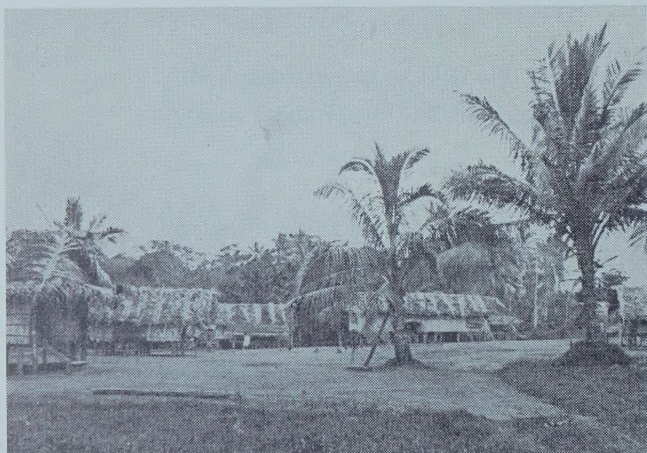
Natives on Misima assisting in S.P. Survey work.



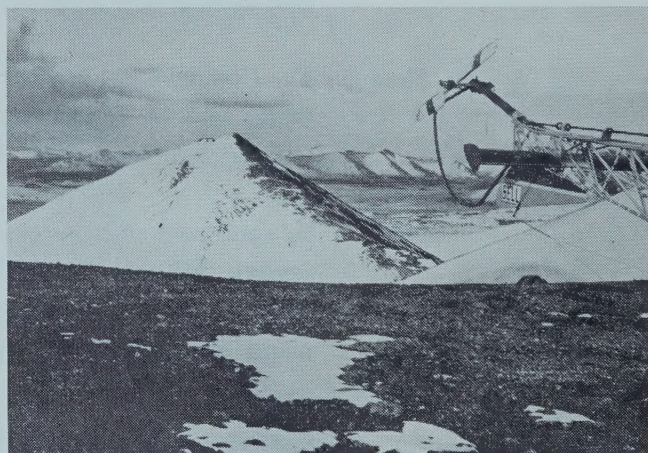
Our resident engineer on Misima, Mr. Jack Brodie, with his wife and family.



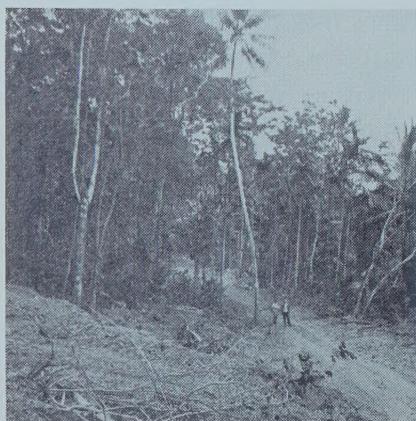
A government road building crew working on road to mine site.



A typical native village on Misima. This one is about two miles from our mine site.



Staked property in Northern B.C. where surface explorational work was undertaken this summer by Cultus.



This cleared area 60 feet above sea level will likely be the location of the deep adit.



The Joy wireline drill seen during the drilling of T-12 test hole.



Company's temporary camp facilities. Not all buildings are shown—they include office, drillers quarters, and cook house.

